

Message Text

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TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EINV, PFOR, AR

SUBJECT: WABCO DEBT

1. SEVERAL OFFICIALS OF THE WESTINGHOUSE AIR BRAKE (WABCO) CONSTRUCTION AND MINING EQUIPMENT GROUP, AN AMERICAN STANDARD SUBSIDIARY, VISITED DEPT JANUARY 23 TO DISCUSS PROBLEM ARISING OVER DEBT OWED BY SIAM DI TELLA, LIMITADA, FOR ROYALTIES AND DELIVERIES OF MOTOR GRADER PARTS DURING YEARS 1968-1971. WABCO CONTRACTED WITH SIAM IN 1967 TO PROVIDE TECHNICAL ASSISTANCE AND COMPONENTS FOR THE MANUFACTURE OF MOTOR GRADERS IN ARGENTINA. THE AGREEMENT ALSO PROVIDED FOR LICENSE FEES. IN LATE 1971 SIAM BECAME INVOLVED IN SERIOUS FINANCIAL PROBLEMS (INCLUDING FAILURE TO PAY CERTAIN SOCIAL WELFARE TAXES DUE TO THE GOA) AND IN DECEMBER OF THAT YEAR THE GOA ASSUMED RESPONSIBILITY FOR THE COMPANY'S OPERATIONS. (PRECISE NATURE OF GOA ACTION IS UNCLEAR.

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2. SINCE THAT TIME, SIAM HAS NOT MADE FULL PAYMENTS ON ITS

DEBT TO WABCO (REPRESENTING BOTH ROYALTIES AND PAYMENTS FOR COMPONENTS PREVIOUSLY DELIVERED). FROM 1972 TO 1975 WABCO CONTINUED TO SUPPLY NEW COMPONENTS ON A 100 PREPAYMENT

BASIS, AND IN EACH YEAR SIAM MADE CERTAIN ADDITIONAL PAYMENTS ON THE DEBT. HOWEVER, DURING 1975 THESE ADDITIONAL PAYMENTS WERE DISCONTINUED, AND NEW SHIPMENTS CEASED BECAUSE THE NECESSARY LETTERS OF CREDIT WERE NOT PROVIDED. (WABCO HAS CONTINUED TO RECEIVE OCCASIONAL ORDERS.) SIAM HAS NEVER CONTESTED THE EXISTENCE OF THE DEBT, BUT APPEARS TO BE UNABLE TO CONTINUE TO MAKE THE PAYMENTS.

3. WABCO OFFICIALS INDICATE THEIR WILLINGNESS TO TRY TO WORK OUT ANY REASONABLE PAYMENT PLAN BUT BELIEVE THAT ESSENTIAL ELEMENT OF ANY PLAN IS GOVERNMENT GUARANTY OF PAST INDEBTEDNESS. THEY HAD DISCUSSIONS WITH SIAM OFFICIALS AS RECENTLY AS LAST WEEK, BUT NO DEFINITE DECISIONS HAVE BEEN FORTHCOMING. WABCO OFFICIALS SAY THEY ARE ALSO WILLING TO PROVIDE ADDITIONAL TECHNICAL ASSISTANCE SO THAT THE MOTOR GRADER PRODUCTION OPERATION CAN BE PUT BACK ON ITS FEET.

4. THE WABCO PROBLEM APPEARS TO BE ESSENTIALLY A COMMERCIAL SALES AND LICENSING CONTRACT MATTER, ALTHOUGH GOA HAS OBVIOUSLY BECOME INVOLVED THROUGH ITS ACTIONS TO TAKE OVER OPERATION OF SIAM. PRIOR TO DECIDING WHAT EFFORTS, IF ANY, ON WABCO'S BEHALF WOULD BE APPROPRIATE, DEPT WOULD APPRECIATE ANY INFORMATION EMBASSY CAN PROVIDE ON THE SUBJECT, ESPECIALLY THE FOLLOWING:

(A) WHAT IS PRECISE LEGAL NATURE OF GOA ACTION, EG, INTERVENTION, VOLUNTARY BANKRUPTCY?

(B) ASSESSMENT OF LIKELIHOOD OF GOA'S WILLINGNESS TO PROVIDE SOME SORT OF GUARANTY OF PAST DEBT IN RETURN FOR TECHNICAL ASSISTANCE AND CONTINUED SHIPMENT OF COMPONENTS.

(C) EXTENT OF VICE MINISTER DI TELLA'S INVOLVEMENT IN COMPANY PRIOR TO HIS BECOMING GOA OFFICIAL AND LIKELI-LIMITED OFFICIAL USE

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HOOD OF HIS WILLINGNESS TO ASSIST IN RESOLUTION OF THE PROBLEM.

ANY LIGHT EMBASSY CAN SHED ON PROBABLE GOA INTENTIONS IN THIS MATTER WOULD BE APPRECIATED.

5. DEPT IS POUCHING CO ECON COPY OF MEMO GIVEN DEPT BY WABCO PERSONNEL. KISSINGER

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